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SUBJECT: VIETNAM: AMBASSADOR'S CALL ON MINISTER OF TRADE
TUYEN

Ref: (A) HANOI 2620
(B) HANOI 2752
(C) HANOI 2697
(D) STATE 214134

¶1. (SBU) Summary: In a meeting October 12, Minister of Trade Truong Dinh Tuyen told the Ambassador the GVN will be well-prepared for bilateral market access negotiations with the United States in October; that he hoped the United States and Vietnam could close WTO negotiations in early 2005; and that although the GVN had closed its WTO bilats with the European Union (EU) last week, the EU had "left the hard negotiations for the United States." The Ambassador reminded Minister Tuyen of upcoming Bilateral Trade Agreement (BTA) obligations, urged the Minister to resolve impediments to investment in the auto and insurance sector and briefed him on the USG's new Strategy Targeting Organized Piracy (STOP). End Summary.

WTO Accession Negotiations

¶2. (SBU) The Ambassador congratulated Minister Tuyen on concluding bilateral WTO negotiations with the European Union (EU) during the Asia Europe Meeting Summit (ASEM) in Hanoi October 8-9. Minister Tuyen acknowledged that the EU is an important trade partner for Vietnam and conclusion of bilats with the EU will help speed up Vietnam's WTO accession process. He asserted that although the EU delegation made difficult demands of Vietnam during the negotiations, the EU also took into account Vietnam's status as a developing country. When the Ambassador said he hoped the EU had not left the most difficult negotiations for the United States, Minister Tuyen smiled and said he "thought the EU had done just that."

¶3. (SBU) Minister Tuyen noted that while conclusion of negotiations with the EU is significant, the United States is Vietnam's most important trade partner. He assured the Ambassador that the GVN is preparing carefully for bilats with the United States at the end of October and would be prepared to discuss both bilateral market access issues and multilateral issues such as intellectual property rights (IPR) and sanitary and phyto-sanitary (SPS) measures. Minister Tuyen categorized the upcoming talks as a "milestone" and expressed his hope that the United States would have as "realistic" an attitude toward the negotiations with Vietnam as the EU had. Minister Tuyen told the Ambassador that he expects the GVN to conclude its bilats with some partners, such as China and Japan, soon. He noted that although initially he had not expected to close with the EU so quickly, both sides had seized the opportunity to close during ASEM. He expressed hope that the United States and Vietnam could also come to an agreement soon and not "miss the chance" to close in early 2005.

BTA Implementation

¶4. (SBU) Minister Tuyen assured the Ambassador that the Ministry of Trade (MOT) is working to prepare for the next round of BTA obligations that come due for Vietnam in December. He noted that he had already assigned staff on the Americas' Desk at MOT to summarize the upcoming obligations and begin preparing for implementation. He said that he believes implementation of the BTA is an important step toward WTO accession.

Insurance and Autos

¶5. (SBU) The Ambassador reminded Minister Tuyen that U.S. companies play an important role in the WTO accession process and will have an important voice in the debate in the United States Congress over Permanent Normal Trade Relations status (PNTR) for Vietnam. The Ambassador noted that American companies are interested in doing business in

Vietnam but are still cautious because they want the GVN to improve the trade and investment climate. He specifically highlighted the problems faced by American insurance companies seeking investment licenses and automakers faced with rising taxes and tariffs.

16. (SBU) On insurance, Minister Tuyen noted that European insurance companies came to Vietnam earlier than American companies and Vietnam's insurance market is still developing. He also noted that the Vietnamese insurance company (Bao Viet) still has limited capacity and there is not a consensus among senior GVN officials on the issuance of licenses to American companies. American insurance companies are asking for a quicker phase-in of BTA commitments on insurance. While noting that the GVN is not obliged to implement the BTA faster, Minister Tuyen also acknowledged that there is nothing preventing early issuance of insurance licenses to American companies. Minister Tuyen stated that he supports issuing insurance licenses to improve the competitive environment in Vietnam, and is working to develop a consensus among senior GVN officials. However, he noted, it would be easier to persuade other ministries to agree to issue licenses to the U.S. companies if there were positive developments in the bilateral WTO talks. Minister Tuyen reiterated a long-standing GVN request that the USG choose which American insurance company should receive a license first, and noted that it would be easier if only one American company had applied for a license. He asserted that if the GVN issued a license to one company, the others would complain.

17. (SBU) The Ambassador responded that granting these insurance licenses would provide a strong signal to foreign investors that Vietnam's investment climate is improving. In addition, it would help develop the financial services sector in Vietnam, which will be critical to further growth of the private sector. Although the best step would be for the GVN to issue all the licenses, the Ambassador said, it is likely that the U.S. companies would also accept phased-in issuance of the licenses. The biggest problem right now, the Ambassador added, is that there has been no movement forward by the GVN on the issue of insurance licenses.

18. (SBU) On Vietnam's auto policy, Minister Tuyen explained that the GVN is trying to balance conflicting interests. The GVN has to protect the interest of investors, but also needs to maintain an acceptable level of traffic in Vietnam. At the moment, he said, the GVN is confused over how to find a compromise that meets both of these needs. Vietnam's auto policy is intended to foster investment in and development of the auto sector, including both foreign and domestic companies. However, the GVN also has significant concerns about infrastructure, traffic and safety. More than 10,000 people are killed on the road each year, Minister Tuyen said. (Note: The Minister noted that this is more than the number of Americans that have been killed in Iraq. End Note.) He also said that "quite a few" former Vietnamese leaders have criticized the GVN for not improving road safety. Minister Tuyen concluded by stating that the GVN needs to develop a clear policy that both encourages development of the auto sector and controls accidents. However, he noted, a change in auto policy cannot happen quickly as tax changes have to be approved by the National Assembly.

19. (SBU) The Ambassador noted that he had just returned from a trip to HCMC where he had spoken with many representatives of the American business community who had all cited lack of adequate infrastructure as an impediment to Vietnam's economic growth. American automakers, including Ford, have indicated a willingness to work with the GVN on the issues of traffic and road safety. Ford, for example, has a safety program and is willing to work with local and national authorities. The best way forward is for the GVN to develop its auto industry in partnership with foreign investors, not to slow development by increasing taxes, he added.

Textiles

10. (SBU) Minister Tuyen confirmed to the Ambassador that the GVN's investigation of corruption in the allocation of U.S. textile quota (reflets A and B) had found "negative acts and mistakes" by staff under his supervision. (Note: The Vietnamese phrase "tieu cuc" translated as "negative acts" is often used as a euphemism for "corruption." End Note.) However, he added, the problems are not as serious as the media has made it sound. Regardless, the Minister acknowledged the need to fix the "mistakes" and ensure allocation is done fairly and transparently. He said that he had temporarily taken over supervising the quota allocation procedures and MOT would announce the 2005 quota allocation by October 15.

11. (SBU) The Minister reiterated a request (made during EB PDAS Donnelly's visit to Hanoi September 28 and via dipnote

(reftel C)) for 1.8 percent additional carryforward from Vietnam's 2005 quota in category 338/339. He argued that the USG decision to reduce Vietnam's quota in May resulted in over-allocation of quota by the GVN. This over-allocation is causing problems for U.S. companies such as JC Penney. The Ambassador assured Minister Tuyen that his request had been conveyed to Washington and explained that the Committee for Implementation of Textile Agreements (CITA) would have to consider the request.

STOP

¶12. (SBU) The Ambassador briefed Minister Tuyen on the Strategy Targeting Organized Piracy (STOP) announced by the White House on October 4 and provided him with a copy of the STOP Fact Sheet (reftel D). (Note: Although MOT is not the primary GVN agency responsible for IPR, the Market Management Board (MMB) of MOT does bear some responsibility for enforcement. End Note.)

¶13. (SBU) Comment: Minister Tuyen did not display much of his normally colorful personality in this meeting. Between the textile quota corruption scandal and Vietnam's over allocation of T-shirt quota, Minister Tuyen is clearly feeling pressure over his management of Vietnam's second largest export sector. Twice now he has categorized the request for additional textile carryforward from the United States as a "personal" request. On the other hand, conclusion of WTO negotiations with the EU seems to have increased his confidence in Vietnam's ability to make progress in Vietnam's accession negotiations. Minister Tuyen appeared more hopeful that Vietnam might be able to conclude deals with the United States and other major partners by early next year. End Comment.

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